

Message Text

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PAGE 01 STATE 161402

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TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

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DRAFTED BY EB/OT/GCP - MGOLDMAN

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EUR/IB:EROWELL

EUR/RPE:ECASEY

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STR:HHENTGES

TREASURY:AGAULT

AGRICULTURE:WHUTH

COMMERCE:CSIEGEL

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FM SECSTATE WASHDC

TO AMEMBASSY MADRID

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, SP

SUBJECT: SPAIN'S ELIGIBILITY FOR GSP

REFS: (A) MADRID 4196, (B) STATE 120075

1. EMBASSY CORRECT IN ITS UNDERSTANDING THAT COMPETITIVE NEED PROVISIONS OF TRADE ACT PROVIDE A MECHANISM, ALBEIT IMPERFECT, FOR PHASING OUT PREFERENCES ON PRODUCTS AS A COUNTRY BECOMES COMPETITIVE IN THOSE PRODUCTS. PHASING OUT OF THE MARGINS OF PREFERENCES ALONG LINES SUGGESTED
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PAGE 02 STATE 161402

BY CERON IS NOT POSSIBLE, AS THE ACT (SECTION 504A)

PROVIDES ONLY THAT DUTY RATES MAY BE SET AT ZERO UNDER
GSP OR AT REGULAR MFN RATES;

2. THE PRESIDENTIAL AUTHORITY TO REMOVE AT WILL PRODUCTS
OR COUNTRIES FROM GSP STATUS COULD NOT BE USED EASILY
TO ACCOMPLISH PHASE-OUT. SPAIN OR ANY OTHER COUNTRY
COULD BE TAKEN OFF LIST OF BENEFICIARY COUNTRIES
IN FIVE YEARS (AT TIME OF REQUIRED PRESIDENT'S REPORT
TO CONGRESS) OR AT ANY OTHER TIME IT FORMAFLY INDPDATES
SUCH A DESIRE. LIKEWISE, WE COULD REMOVE FROM GSP
PRODUCTS OF INTEREST TO SPAIN, BUT THIS WOULD WORK
TO THE DETRIMENT OF OTHER GSP BENEFICIARIES WHO WOULD
OBJECT. IN THIS REGARD, HOWEVER, THE GOS IS AWARE
THAT FOOTWEAR, A CATEGORY WHERE ARGENTINA, BRAZIL
AND TAIWAN WHO WILL RECEIVE GSP ARE SPAIN'S MAJOR
COMPETITORS, IS SPECIFICALLY EXCLUDED FROM GSP

BY SECTION 503(C)(1) OF THE ACT.

3. OUR INTEREST IN CONSULTATIONS IS TO FIND A
SOLUTION WHICH MEETS THE REQUIREMENTS OF THE TRADE
ACT, WITH RESPECT TO SIGNIFICANT ADVERSE AFFECT OF
SPANISH PREFERENCES FOR EC SUPPLIERS ON US COMMERCE,
WITHIN THE FRAMEWORK OF SPAIN'S EXISTING AND FUTURE
RELATIONS WITH THE EC. WE VIEW ELIMINATION OF SUCH
ADVERSE EFFECT, PROVIDED THAT IT DOES NOT DAMAGE
SPANISH-EC RELATIONS, AS ALSO BEING IN SPAIN'S
INTEREST IN TERMS OF PERMITTING SPAIN TO FILL
IMPORT NEEDS AT LOWEST POSSIBLE COST. EMBASSY MAY
ASSURE GOS THAT WORK IS PROCEEDING ON OUR ANALYSIS
OF EFFECTS OF SPAIN'S PREFERENCES ON US COMMERCE
WHICH, WHEN COMPLETED, COULD SERVE AS BASIS FOR
CONSULTATIONS ON MEASURES WHICH MAY BE NEEDED IF
SPAIN IS TO QUALIFY FOR GSP. INGERSOLL

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